

BEST PRACTICES SYMPOSIUM
March 29, 2005
Breakout Session – Post-Graduate Aversion Activities

Facilitator:

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Notes:

What are the characteristics of a defaulted borrower?

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| 1. Low GPA (poor SAP) | 8. Student with a general major |
| 2. Withdrawn (non-graduate) | 9. Nontraditional student |
| 3. Freshman/Sophomore Student | 10. Student with more than one sibling in school |
| 4. Transfer student | 11. Student that is forced to go to school |
| 5. Borrowers with debt over \$30,000 | 12. One semester student |
| 6. Borrowers with a debt load of \$3,000 | 13. Student with one loan |
| 7. Career college students | 14. Student with unpaid balance at the school |

In looking at MGA's preliminary 2003 Cohort Default Rate, 87.9% of the defaulted borrowers withdrew from school. In addition 60.9% of these borrowers had a loan debt of \$5,000 or less. One needs to keep in mind that even though 87.9% of MGA's defaulted borrowers are withdrawn students, when looking at the entire repayment base, only 8.6% of the withdrawn students actually defaulted.

MGA is able to extract the basic information (withdrawn, debt of less than \$5,000) about a defaulted borrower but a school may be able to identify some of the other characteristics (low GPA, one semester student, transfer student, etc.) and apply special techniques to this group of borrowers.

Suggestions from brainstorming sessions:

Exit Counseling

1. One-on-one exit counseling and each borrower is given an exit counseling packet.
2. Send an email giving the borrower three options to complete exit counseling. The options are to view a video and complete the Q & A, complete the counseling online, or schedule a session for one-on-one counseling.
3. If a borrower does not complete exit counseling, place a "hold" on the borrower's diploma and academic transcript. The hold is not removed until the borrower completes exit counseling.

Grace Counseling

1. Send a special email to withdrawn borrowers and borrowers that have dropped to less than half-time status.
2. Send a withdrawn or graduation letter to all borrowers informing them of their deferment and repayment options. Within 30 days of the borrower's first payment due date, send a postcard reminder that their first payment is coming due.

3. During grace, send a postcard at the three-month mark informing the borrower when their first payment will be due, ask the borrower to update the school on any address changes and employment status, etc. Send a second postcard at the five-month mark informing them that their first payment is due next month, ask if they can afford to make their payments, and if they know where their payment is to be sent. The school gives Student Borrower Services' (SBS) name and telephone number as the contact.
4. Send three letters during grace informing the borrower of their repayment and deferment options, etc.

Delinquent Accounts

1. Send two to four letters or emails to borrowers that are 60 or more days delinquent.
2. Try calling any borrower that is 30 or more days delinquent. Good times to call are Saturday morning, weekday evenings, during major sporting events, or during a snowstorm.
3. Late Stage Delinquency Program---call borrowers that are 240-359 days delinquent and are in the current cohort year. Check Alumni, FAFSA, etc. for any additional names or telephone numbers to try to locate this borrower. When talking to the borrower, have an upbeat approach, give suggestions on different options, and if possible, conduct a three-way conference call with the lender, borrower, and school.
4. Send a letter with a forbearance form and a postage-paid envelope addressed to the school to borrowers who are within 90-120 days of defaulting.

MGA Tools

1. If a school wants to send letters to delinquent borrowers, a school can receive an electronic report that can be imported into Excel. MGA has procedures on how to import the file, manipulate the file, and mail merge form letters.
2. MGA has sample form letters targeted to delinquent borrowers that a school can use as is or can tweak to fit the school's needs.
3. Schools that want to implement the Late Stage Delinquency Program can contact MGA. We have a procedure that a school can use to identify their late stage delinquent borrowers. If the school wants us to skip-trace this group of borrowers, we have a form that a school can send us listing the borrowers that need to be skip-traced. The school can also facilitate a three-way conference call with the borrower, school, and Student Assistance Corporation (SAC). Regardless of who the lender is, SAC can work with the borrower and the lender to resolve the delinquency.
4. Schools can order special withdrawal packets. MGA will pay the postage for the school to send the packet to the borrower. The packet also includes a postage-paid return envelope for the borrower to use to return the exit counseling form to MGA.